

Message Text

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10

ACTION EA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /048 W

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P R 150742Z JUL 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 6111

INFO AMEMBASSY SEOUL

AMEMBASSY MANILA

AMEMBASSY BANGKOK

C O N F I D E N T I A L TAIPEI 4310

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

REF: STATE 162191; TAIPEI 4222

1. AMBASSADOR STRESSED URGENCY OF RESOLVING DELAY IN
OPENING LETTERS OF CREDIT FOR CONTRACTED U.S. COTTON
IN TELEPHONE CONVERSATION WITH Y.S. SUN, MINISTER OF
ECONOMIC AFFAIRS JULY 14, PRIOR TO MINISTER'S DEPARTURE
FOR 10 DAY TRIP ABROAD JULY 15. AMBASSADOR NOTED THAT
ACTION TAKEN SO FAR HAS NOT PRODUCED THE RESULTS EXPECTED
AND SUGGESTED THAT THE GROC CONSIDER FURTHER MEASURES
SUCH AS WITHHOLDING RELEASE OF COTTON FROM BANK OF
TAIWAN BONDED STORAGE OR REVOKING EXPORT LICENSES OF
MILLS WHO FAIL TO OPEN L/C'S ACCORDING TO THE AGREED
SCHEDULE. MINISTER SUN AGREED TO MEET WITH Y.T. WONG,
DIRECTOR BOFT, AND VICE MINISTER K.S. CHANG TO DISCUSS
WAYS TO DEAL WITH DELAY IN OPENING L/C'S PRIOR
TO HIS DEPARTURE FROM TAIWAN.

2. ECON COUNSELOR AND AG ATTACHE MET WITH VICE MINISTER
CHANG AFTERNOON JULY 15 AND WERE INFORMED THAT MINISTER
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SUN HAD TRANSMITTED FORMAL REQUEST TO THE EXECUTIVE

YUAN EARLIER IN THE DAY SUGGESTING IMPLEMENTATION OF THE TWO ADDITIONAL MEASURES SUGGESTED IN THE AMBASSADOR'S TELEPHONE CONVERSATION WITH MINISTER SUN AS FURTHER INDUCEMENT FOR TEXTILE MILLS TO HONOR THWIR CONTRACTS FOR U.S. COTTON. MILLS WOULD FIRST BE DENIED OPPORTUNITY OF WITHDRAWING COTTON FROM BOT BONDED STORAGE AND IF L/C'S WERE NOT FORTHCOMING FROM INDIVIDUAL MILLS THE FINAL MEASURE OF WITHHOLDING EXPORT LICENSES FOR TEXTILES WOULD BE APPLIED. CHANG STATED THAT THE MINISTRY OF ECONOMIC AFFAIRS WAS SYMPATHETIC WITH TEXTILE INDUSTRY PROBLEMS SEVERAL MONTHS AGO WHEN BUSINESS WAS BAD BUT NOW THAT MILLS ARE MAKING MONEY AGAIN THE MINISTRY IS BECOMING IMPATIENT WITH TEXTILE MILLS WHO FAIL TO HONOR THEIR CONTRACTS AND IS THUS READY TO PROPOSE AND ENFORCE STRONGER MEASURES ON THE DELINQUENT TEXTILE MILLS.

3. MINISTER SUN'S REQUEST FOR APPROVAL OF STRONGER MEASURES TO BRING DELINQUENT MILLS INTO LINE WILL NO DOUBT REQUIRE APPROVAL OF THE PREMIER BEFORE IMPLEMENTATION. VICE MINISTER CHANG STATED THAT HE WOULD MAINTAIN TELEPHONE CONTACT WITH APPROPRIATE OFFICIALS OF THE EXECUTIVE YUAN AND URGE THAT ACTION ON THIS MATTER RECEIVE TOP PRIORITY. UNGER

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